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RR RUEHBZ RUEH DU RUEHMR RUEHRN  
DE RUEHTO #0797/01 1980616  
ZNY SSSSS ZZH  
R 170616Z JUL 09  
FM AMEMBASSY MAPUTO  
TO RUEHC/SECSTATE WASHDC 0524  
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHLO/AMEMBASSY LONDON 0442  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHEFDIA/DIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEHNSC/NSC WASHDC  
RUEAIIA/CIA WASHDC

S E C R E T SECTION 01 OF 03 MAPUTO 000797

SIPDIS

E.O. 12958: DECL: 07/17/2019

TAGS: [KCOR](#) [KDEM](#) [SNAR](#) [KCRM](#) [PHUM](#) [PREL](#) [PGOV](#) [AMGT](#) [PTER](#)

MZ

SUBJECT: GROWING CORRUPTION AND WEAK GOVERNANCE IN THE  
MOZAMBIKAN STATE

REF: MAPUTO 713

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Classified By: Charge d'Affaires Todd Chapman for reasons 1.4(b+d)

¶1. (SBU) SUMMARY: Five years ago, President Guebuza was elected into office on a platform of promoting human rights and democracy while fighting poverty, corruption, and crime. In the run-up to the October 28 national elections, a series of reports on Governance and Corruption in Mozambique from the United Kingdom (DFID), Dutch Embassy, the Mozambique-based Center for Public Integrity (CIP), NEPAD, and USAID detail significant donor and civil society concerns about the transparency of President Guebuza and his government, the ruling FRELIMO party, and elites within the Government of Mozambique (GRM).

¶2. (S) Taking advantage of the absence of a conflict of interest law in Mozambique, political elite are involved in influence trafficking leading to involvement in corrupt practices. In recent months, corruption has become a more frequent topic of discussion among diplomats, Mozambican intellectuals and a few brave journalists, specifically in the areas of misuse of public funds, misuse of public influence, conflicts of interest, and narco-trafficking (reftel). Consensus descriptions of Mozambique detail a growing trend in generalized and endemic corruption perpetrated by the highest levels of Mozambican government, and also broad-based corruption among employees of the state, particularly members of the police and customs. This environment of widespread corruption, combined with porous borders, and poorly governed maritime and land borders provides an excellent opportunity for increased illicit activity and the harboring of undesirable elements in Mozambique. END SUMMARY.

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INFLUENCE TRAFFICKING, BIG BUSINESS FOR FRELIMO  
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¶3. (C) President Guebuza was elected into office on a platform of promoting human rights and democracy while fighting poverty, corruption, and crime. In the run-up to the October 28 national elections, a series of reports on Governance and Corruption in Mozambique from the United Kingdom (DFID), Dutch Embassy, the Mozambique-based Center for Public Integrity (CIP), NEPAD, and USAID ([www.usaid.gov/mz/doc/misc/dg assessment 2009.pdf](http://www.usaid.gov/mz/doc/misc/dg%20assessment%202009.pdf)) detail significant donor and civil society concerns about the transparency of President Guebuza and his government, the

ruling FRELIMO party, and elites within the Government of Mozambique (GRM). These reports on corruption in Mozambique describe weak accountability and ineffective checks of executive power, political and administrative corruption, and FRELIMO control over political competition, all of which allow for growth in corrupt practices.

14. (S) Given FRELIMO's comfort with exploiting state resources, and the absence of a conflict of interest law, it has become second nature for Party members, including the President, a career politician who now ranks as the richest Mozambican, to use their political influence to dominate business in the country. In June, Mozambique analyst Joseph Hanlon and CIP Director Marcelo Mosse presented a paper on corruption in Mozambique's elite to the UNU-WIDER Conference in Helsinki. (Note: While Hanlon and Mosse provide information about the extent of the business interests of Guebuza and other senior FRELIMO members, they do not mention ties to narco-trafficking (reftel) and their conclusion that current corruption is fostering competition in the business community and therefore engendering development seems misguided. End Note). The Hanlon and Moss paper confirms that FRELIMO has a close relationship with the country's leading business confederation, CTA, whose President Salimo Abdula, is also the President of Intelec Holdings Ltd, an investment vehicle for President Guebuza. Intelec holds shares in a variety of the country's most profitable businesses, most recently purchasing an undisclosed stake in cellular phone company Vodacom's Mozambican operations and installing Abdula as the CEO.

15. (C) Guebuza and his family members also exercise their political influence through other investment vehicles including Cornelder de Mocambique, Insitec, and Focus 21. A FRELIMO front company, SPI, holds a minority position in

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Kudumba Investments Lda, the company that has a 20-year concession to provide scanning services for all of Mozambique's land and airports. With mandatory fees charged on all in-bound and out-bound cargo, the company has become a rent-seeking organization. Perhaps more importantly, Customs officers choose which inbound shipments to inspect, and which to allow to pass through Mozambican ports unchecked, thus allowing control over growing volumes of illicit trade, especially narcotics (reftel). Businessmen across the country voice their frustrations over the control that a "FRELIMO inner circle of oligarchs" holds over investments in Mozambique. Several reports confirm that a handful of families linked to FRELIMO elite, including former President Joaquim Chissano as well as Graca Machel (widow of founder of Mozambique Samora Machel and current wife of Nelson Mandela), control most major business deals in the country, resulting in a situation where political and business elites are synonymous.

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CORRUPTION BIG AND SMALL  
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16. (C) With FRELIMO controlling all government entities, including the judicial branch, political will to combat corruption has been lacking. Last year's arrest of former Interior Minister Almerinho Manhene on charges of diverting \$8.8 million in state funds appeared to mark the Guebuza Administration's most serious attempt at prosecuting a senior official. However, in early 2009, 48 of the 49 counts against Manhene were dropped, and the arrest seems to be more the result of intra-FRELIMO squabbling between the camps of President Guebuza and former President Joaquim Chissano rather the reflection of growing political will to prosecute corruption at the highest levels. Despite Guebuza's statements about a "zero tolerance" stance on corruption, efforts by the GRM to establish state mechanisms to monitor corrupt practices have been modest. In June 2007 a law was passed establishing a Financial Intelligence Unit (GIFim), and in September 2008 the government nominated a GIFim

Director. As of July 2009, he neither had a staff nor an office. An Anti-Corruption Unit (GCCC) was established in 2003, but flawed Anti-Corruption laws dating from 2002 limit proactive investigation tools such as electronic surveillance, and have not been amended, rendering the GCCC impotent.

17. (C) Pervasive petty corruption, particularly requests for bribes from public officials, causes damage to public perceptions of FRELIMO and the state, undermining attempts at good governance and raising transactional costs. Police roadblocks have simply become opportunities for revenue generation. As an experiment, Poloff drove a non-diplomatic plated vehicle and was stopped six times in the course of a five-mile journey in Maputo and was asked for bribes that totaled in excess of US\$80. Perhaps most troubling is that criminal elements within Mozambique with international connections have realized that officials, from street cops to political elites, can be purchased.

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COMMENT: GOVERNANCE AFFECTED BY CORRUPTION  
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18. (C) It is clear that FRELIMO has further consolidated its already strong grip on power over the past five years, led by President Guebuza who has personally enriched himself and ruling party elite as the Mozambican economy continues to grow. One FRELIMO insider, however, labeled Guebuza's form or corruption as "not the kind that hurts people, because he is not taking money directly from government coffers. Rather, he just wants his share of every deal." Hanlon and Mosse argue as well that elite involvement in investment continues the country along a development track. Unfortunately, this atmosphere of widespread and endemic corruption could generate comparisons between Mozambique and a Zimbabwean-style of governance led by exploitative political elites that stay in power through corruption which funds a patronage system (septel). While President Guebuza campaigned five years ago on a platform of fighting poverty, corruption, and crime, it appears that these were simply campaign promises. Most observers predict Guebuza's reelection, though the appearance of new opposition party

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Democratic Movement of Mozambique (MDM) could change the equation somewhat. Should Guebuza win by a significant margin, the political will to fight corruption by a second-term president not (currently) able to run for re-election is unlikely to follow the October elections. Most troublesome is that Mozambique's environment of widespread corruption, combined with porous borders, and relatively ungoverned spaces, raises concerns that international organized crime will continue to build its platform in the country for illicit activity.

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